

Message Text

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TO SECSTATE WASHDC 2069 PRIORITY
INFO AMEMBASSY OTTAWA

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TAGS: EFIN CA
SUBJECT: NOVA SCOTIA BUDGET ESTIMATES FOR FY 1978-9
REF: 77 HALIFAX 0127

1. NS GOVT BROUGHT DOWN MAR 3 A DOLS 1.6 BILLION BUDGET WHICH PROVIDES FOR BIGGEST-EVER CAPITAL EXPENDITURES PROGRAM YET CALLS FOR NO NEW TAXES. IT IS PROVINCIAL FINANCE MINISTER PETER NICHOLSON'S SEVENTH STRAIGHT BALANCED BUDGET. IN PRESENTING IT, NICHOLSON PREDICTED MARKED IMPROVEMENT IN THE COMING YEAR OVER 1977. HE FORECAST REAL ECONOMIC GROWTH OF FOUR PERCENT BY END OF 1978, FROM CURRENT RATE OF 2.8 PERCENT.

2. THE DOLS 1.6 BILLION FIGURE INCLUDES BOTH NET GOVT EXPENDITURES, TAKEN OUT OF CURRENT DOLLARS, AND CAPITAL EXPENDITURES, WHICH ARE FINANCED BY BORROWING. WITH INCLUSION OF CAPITAL EXPENSES, THIS YEAR'S BUDGET REPRESENTS A 10 PERCENT INCREASE OVER LAST YEARS DOLS 1.4 BILLION TOTAL BUDGET.

3. THE CAPITAL EXPENDITURE PROGRAM IS BUDGETED FOR A GROSS OF DOLS 233 MILLION--THE LARGEST AMOUNT EVER.
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LEGISLATURE, HOWEVER, WILL BE ASKED TO APPROVE ONLY DOLS 207 MILLION BECAUSE OF A DOLS 26 MILLION CARRY-OVER FROM LAST YEAR S DOLS 225 MILLION PROGRAM. THE DOLS 207 MILLION WILL BE OBTAINED THRU BORROWING ON DOMESTIC AND INTERNATIONAL MONEY MARKETS, NICHOLSON SAID.

4. OTHER HIGHLIGHTS OF BUDGET ARE:

--CURRENT ACCOUNT SPENDING UP 11.2 PERCENT OVER
1977-8 AT DOLS 1,354, 989,000, PLUS DOLS 30,395,500
FOR SINKING FUND INSTALMENTS.

--REVENUE OF DOLS 1,385,437,700, LEAVING A NOMINAL
SURPLUS AFTER SINKING FUND INSTALMENTS OF DOLS 52,600.

--RECORD CAPITAL SPENDING ON HIGHWAYS OF DOLS
96,684,400, UP FROM DOLS 71,318,300 IN 1977-78.

5. COMMENT: A CENTRAL THEME OF NICHOLSON S MESSAGE TO
THE PROVINCIAL LEGISLATURE WAS THAT THE ECONOMY OF
THE PROVINCE IS, TO A LARGE EXTENT, AT THE MERCY OF
NATIONAL AND INTERNATIONAL DEVELOPMENTS OVER WHICH
NOVA SCOTIA HAS NO CONTROL. THE PROVINCIAL GOVERNMENT
DOES HAVE A MEASURE OF CONTROL, HOWEVER, OVER THE TIMING
OF ELECTIONS--AND CAN TAILOR ITS BUDGETS ACCORDINGLY.
BY HOLDING THE LINE ON NEW TAXES AND BY ALLOCATING
TO LABOR-INTENSIVE HIGHWAY IMPROVEMENT PROJECTS
SUCH A LARGE PERCENTAGE OF THE RECORD AMOUNT OF MONEY
FOR CAPITAL EXPENDITURES, THE BUDGET
SHOWS ITSELF TO BE VERY MUCH A PARTY-POLITICAL
DOCUMENT. END COMMENT.

6. COPIES OF BUDGET WILL BE POUCHED TO EUR/CAN AND
EMB OTTAWA.
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